



## American Gilsonite Company

Bonanza Minesite

HC 73 Box 28

Vernal Utah 84078-9284 • Phone (435) 789-1921 • Fax (435) 789-1956

RECEIVED

APR 13 2001

DIVISION OF  
OIL, GAS AND MINING

State of Utah, Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145810  
Salt Lake City, Utah 84114

Attn: Mr. D. Wayne Hedberg

Re: Bonding requirements for AGC

April 12, 2001

American Gilsonite Company (AGC) received a letter from the Division of Oil, Gas, and Mining (DOGM) dated February 22, 2001, that discussed the escalation in bonding requirements by AGC.

AGC would like to thank the Division for the time and effort it has spent on this project. There were several questions asked by the Division in its Feb. 22, 2001 letter.

- The Division requested the replacement of fertilizer for composted manure.

AGC will accept the replacement of fertilizer for composted manure (5-10 tons per/acre).

- The review of all AGC's mine sites status.

AGC has reviewed all mine sites and believes them to be labeled accurately.

- The Division requested proof of bonding for mines on BLM lands.

WH-3 and WH-7 are future sites; no mining has occurred on these sites, so there is no need for bonding at this time. The remaining 6 sites are covered with a bond posted with United Pacific Insurance. I have included a copy.

- The Division requested proof of bonding for 2 sites on SITLA lands.

AGC has two separate CD's, one for \$10,000 and the other for \$5,000; I have enclosed copies of each. These CD's will cover the reclamation of the two sites.

### Comments on cost estimates and calculations

The Division would not accept several bids on the last calculation submitted by AGC on May 21, 2000, because the bid sheets were not dated. AGC has elected to exclude these contractors from this calculation. The other bid sheets do reflect local rates and are recently dated.

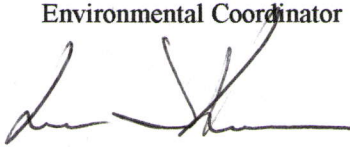
We have reviewed the Division's calculations and have accepted the changes that are shaded in yellow. However we have made some changes to reflect local contractor rates. These changes are shaded green.

In conclusion, we feel that a \$504,000 bond after the 5-year escalation will be sufficient to cover the reclamation bonding requirements.

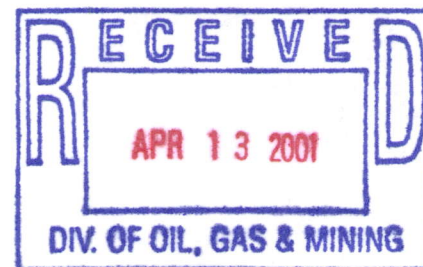
If you have any questions please call (435-789-1921) ext. 541

Thank you,

Lee Jenkins  
Environmental Coordinator

A handwritten signature in dark ink, appearing to be 'Lee Jenkins', written over the printed name and title.

April 12, 2001



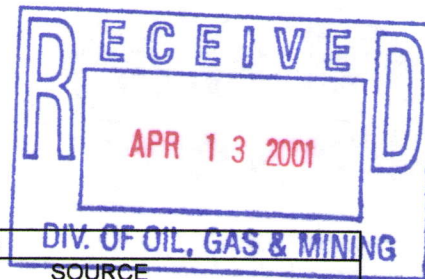
# RECLAMATION ESTIMATE

## Reclamation--typical mine site

Description			DOGM		AGC		SOURCE
	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)	
Dismantling-crane	4	hr	105.00	420	105	420	J&C Enterprises, Inc
Dismantling-crane operator	4	hr	22.00	88	22	88	J&C Enterprises, Inc
Dismantling-laborers	16	hr	18.00	288	18	288	George T. Weldon
Dismantling-dozer	4	hr	147.57	590	104	416	George T. Weldon
Dismantling-dozer operator	4	hr	40.87	163	21	84	George T. Weldon
Shaft capping-laborer	16	hr	18.00	288	18	288	George T. Weldon
Shaft capping-supplies, materials	1	ea	800.00	800	800	800	DOGM
Reclaiming-dozer	4	hr	147.57	590	104	416	George T. Weldon
Reclaiming-dozer operator	4	hr	40.87	163	21	84	George T. Weldon
Reseeding-mtls,seed/mulch/fertilizer	1	acre	260.00	260	280	280	DOGM
Reseeding-apply mulch and fertilizer	1	acre	70.00	70	70	70	DOGM
Reseeding-tractor and seed drill	2	hr	62.00	124	40	80	George T. Weldon
Reseeding-tractor operator	2	hr	22.00	44	22	44	George T. Weldon
subtotal per mine site				3890		3358	

Mine summary	DOGM			AGC		
	# sites	\$/site	\$	# sites	\$/ site	\$
typical mine sites W/equip	11	3890	42,790	18	3358	60,444
typical mine site + partial equip	7	3502	24,514			
typical mine site no equip	1	2340	2340	3	1750	5,250
sites cap only	4	1586	6,344	2	800	1,600
sites reseeding only	2	498	996	2	450	900
escapeway + equip	3	1945	5,835	3	2500	7,500
escapeway + no equip						
WH-3 & WH-7 (BLM future sites)		35000	0			0
SUBTOTAL	28		82,819	28		75,694





Reclamation--operational facilities

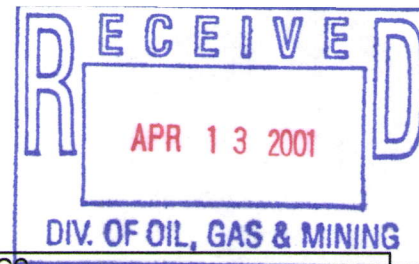
Description			DOGM		AGC		SOURCE
	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)	
Ten Laborers	42	day	1440	60,480	1800	75,600	George T. Weldon
Two dozers	21	day	2361	49,581	1040	21,840	George T. Weldon
Two dozer operators	21	day	654	13,734	210	4,410	George T. Weldon
One crane	42	day	840	35,280	840	35,280	J&C Enterprises, Inc
One crane operator	42	day	176	7,392	176	7,392	J&C Enterprises, Inc
Tractor trailer	2	day	10920	21,840	10080	20,160	George T. Weldon
Tractor trailer operators	42	mo	176	7,392	176	7,392	George T. Weldon
One FE loader	42	day	531	22,302	850	35,700	George T. Weldon
One FE loader operator	42	day	176	7,392	210	8,820	George T. Weldon
Seed, mulch & fertilizer	24.6	acre	260	6,396	260	6,396	DOGM
Applying mulch and fertilizer	24.6	acre	70	1,722	70	4,900	DOGM
One farm tractor & seed drill	2	day	496	992	320	640	George T. Weldon
One Tractor operator	2	day	176	352	168	336	George T. Weldon
Subtotal				234,855		228,866	

Reclamation--roads

Description			DOGM		AGC		SOURCE
	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)	
Motor Grader	3	day	1108	3,324	550	1,650	George T. Weldon
Motor Grader operator	3	day	327	981	210	630	George T. Weldon
Seed, mulch & fertilizer	43	acre	260	11,180	260	11,180	DOGM
Applying mulch and fertilizer	43	acre	70	3,010	70	4,900	DOGM
One farm tractor & seed drill	2	day	496	992	320	640	George T. Weldon
One Tractor operator	2	day	176	352	168	336	George T. Weldon
Subtotal				19,839		19,336	

Reclamation--storage ponds, pads, reservoirs

Description			DOGM		AGC		SOURCE
	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)	
One dozer	6	day	1181	7,086	1040	6,240	George T. Weldon
One dozer One dozer operator	6	day	327	1,962	210	1,260	George T. Weldon
Seed, mulch & fertilizer	4.3	acre	260	1,118	260	1,118	DOGM
Applying mulch and fertilizer	4.3	acre	70	301	70	301	DOGM
One farm tractor & seed drill	2	day	496	992	320	640	George T. Weldon
One Tractor operator	2	day	176	352	168	336	George T. Weldon
Subtotal				11,811		9,895	
				DOGM reports		11,456	



Reclamation--residential area

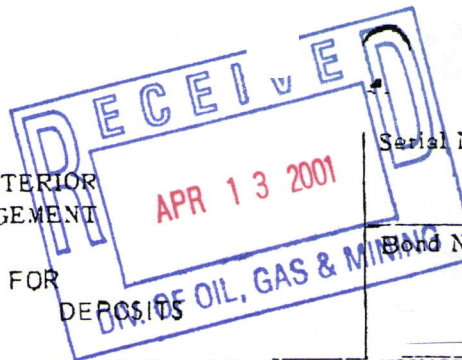
Description			DOGM				AGC	SOURCE
	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)		
One dozer	5	day	1181	5,905	1040	5,200		George T. Weldon
One dozer One dozer operator	5	day	327	1,635	210	1,050		George T. Weldon
One FE loader	5	day	531	2,655	327	1,635		DOGM
One FE loader operator	5	day	176	880	176	880		J&C Enterprises, Inc
One Tractor trailer	2	day	520	1,040	520	1,040		J&C Enterprises, Inc
One Tractor trailer operator	2	day	176	352	176	352		J&C Enterprises, Inc
Ten laborers	12	day	1440	17,280	1800	21,600		George T. Weldon
Seed, mulch & fertilizer	2.3	acre	260	598	280	644		DOGM
Applying mulch and fertilizer	2.3	acre	70	161	56	3,920		DOGM
One farm tractor & seed drill	1	day	496	496	320	320		George T. Weldon
One Tractor operator	1	day	176	176	168	168		George T. Weldon
Subtotal				31,178		36,809		

Reclamation--Summary

Description			DOGM				AGC
			Cost(\$)		Cost(\$)		
Mine sites			82,819		75,694		
Operational facilities			234,855		228,866		
Roads			19,839		19,336		
Storage ponds, pads, & reservoirs			11,811		9,895		
Residential area			31,178		36,809		
Project supervision			16405		16405		
Mobilization			6000		6000		
Subtotal			402,907		393,005		
+ 10% contingency			40,291		39,301		
Subtotal 2000 -\$			443,198		432,306		
+ 5 yr escalation 3.13%/yr			73,840		72,026		
Total			517,038		504,331		



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT



Serial Number

Bond Number

BOND\* UNDER LEASE FOR  
MINING DEPOSITS

KNOW ALL MEN BY THESE PRESENTS, That American Gilsonite Company

of

, as principal,

and

of United Pacific Insurance Company. State of Washington

, as suret  
no/100ths

are held and firmly bound unto the United States in the sum of One Hundred Twenty Thousand and dollars

(\$ 120,000.00---), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such, that whereas the said principal entered into a lease of the lands described therein and upon conditions therein expressed, which lease bears the above serial number.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, or successors, shall faithfully carry out the obligations and observe the requirements of said lease, and shall duly keep, perform, and abide by each and every term and provision of said lease as therein stipulated and agreed, then this obligation shall be null and void otherwise to remain in full force and effect.

Signed on this 26th day of March, 1982, in the presence of:

American Gilsonite Co.

(Signature of Witness)

(Signature of Principal)

(Address of Witness)

(Address of Principal)

United Pacific Insurance Co.

(Signature of Witness)

John E. Gawley (Signature of Surety) Attorney-in-f

100 Bush St. San Francisco, Ca.

(Address of Witness)

(Address of Surety)

(Signature of Witness)

(Signature of Surety)

(Address of Witness)

(Address of Surety)

\*This form of bond may be used in connection with coal, phosphate, and sodium leases, Act of February 25, 1920, as amended (30 U.S.C. 181 et seq.); potassium leases, Act of February 7, 1927, as amended (30 U.S.C. 231 et seq.); sulphur leases, Act of April 17, 1926, as amended (30 U.S.C. 271 et seq.); all such leases involving acquired lands, Act of August 7, 1947 (30 U.S.C. 351), and asphalt leases, Act of June 28, 1944 (58 Stat. 463, 483-485), by inserting the particular mineral applicable in the space provided therefor. If this bond is executed by a corporation, it must bear the corporate seal.



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF STATE LANDS AND FORESTRY

Norman H. Bangerter  
Governor  
Dee C. Hansen  
Executive Director  
Richard J. Mitchell  
Division Director

355 West North Temple  
3 Triad Center, Suite 400  
Salt Lake City, Utah 84180-1204  
801-538-5508



December 24, 1991

American Gilsonite Company  
136 E. South Temple  
Salt Lake City, UT 84111

Gentlemen:

RE: Certificate of Deposit No. \_\_\_\_\_ Covering Operations  
Under ML 31934.

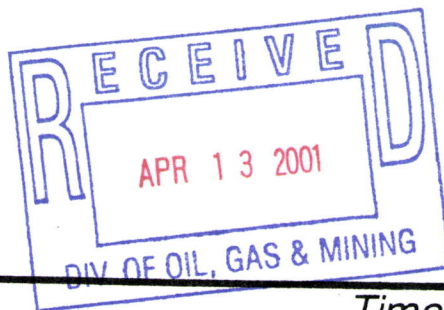
This letter is to confirm that on November 18, 1991, the Director of the Division of State Lands and Forestry accepted a \$10,000 Certificate of Deposit, C.D. No. \_\_\_\_\_, with American Gilsonite Company, as principal and Zion's First National Bank as the issuing bank.

If you have any questions concerning these matters, please contact this office.

Sincerely,

JOHN T. BLAKE  
MINERAL RESOURCES SPECIALIST

tdw



**WELLS  
FARGO**

*Time Account Receipt/Disclosure*

Bank name

WELLS FARGO BANK WEST,

Time Account number

Maturity date

Your Time Account will mature on

Interest will be paid

01/10/2001

Date opened

07/10/2000

Interest rate

5.08

Fixed rate

X

Term of Time Account

6 months days

Variable rate

Annual percentage yield

5.21

EVERY 01 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY ADDING TO PRINCIPAL

Renewability

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT

AT MATURITY UNLESS I NOTIFY YOU OTHERWISE.

The Bank is opening the above described Time Account for your deposit of

FIVE THOUSAND AND 00/100

Your name and address

Taxpayer Identification Number (TIN)

\$ \*\*\*\*\$5,000.00

AMERICAN GILSONITE CO. PAYEE SCHOOL AND INSTITUTIONAL TRUST

LANDS ADMINISTRATION

HC 73 BOX 28

VERNAL UT 84078 9284

07/10/2000 15:58

U4641 2178 Bank# 1190

*This is a receipt. It need not be presented at the time you obtain payment from the Bank and, therefore, it is not evidence of an ongoing deposit relationship.*

TDA 38089 (2-98-191923-J)